

Global Village Energy Partnership (GVEP) Micro Finance Workshop

The Global Village Energy Partnership (GVEP) Micro Finance Workshop, a thematic workshop on the topic of microfinance as a means to enhance access to energy services in rural areas, was held May 19-21, 2004 in Manila, Philippines and convened top energy and microfinance experts from 18 countries across Asia, Africa and Latin America. GVEP is a program under the post-WSSD Presidential Signature Clean Energy Initiative (CEI): Powering Sustainable Development from Village to Metropolis. CEI seeks to provide millions of people in the developing world with access to affordable, reliable, clean, healthy, and efficient energy services. The Global Village Energy Partnership (GVEP), the USAID-led program under CEI, aims to increase access to modern and affordable energy services in areas either not served or under-served by current energy delivery systems. GVEP is coordinated and managed by a Technical Secretariat, comprised of 4 energy experts. A GVEP Board is responsible for the strategic design of the program and provides technical and programmatic guidance to the Technical Secretariat.

EGAT/EIT/Energy's Patricia Flanagan and EGAT/PR/MD's Evelyn Stark played leadership roles in developing this event. The purpose of the GVEP Micro Finance Workshop was to develop consensus on design elements for increasing access to consumer loans and microfinance for energy consumers. Specific objectives were to: make the case for increased lending for energy access projects by consumer credit and micro finance institutions; identify key barriers/conditions for MFI financing for rural energy; identify "good practices/approaches" to serve as replicable models; identify role for GVEP to scale up rural energy financing; and identify role of the broader community in increasing access to rural energy financing by MFIs (governments, MDBs, local FIs, etc).

USAID/EGAT/EIT/Energy, UNDP, and the GVEP Technical Secretariat drafted an initial concept note detailing out their vision of the approach to financing energy services, with a particular emphasis on the energy consumer. In considering the role of microfinance in expanding access to energy services, a distinction was made between household and productive energy uses. A Steering Committee comprised of key representatives and decision makers in the fields of microfinance and rural energy (from UNDP, GTZ, USAID/EGAT, World Bank, Development Bank of the Philippines (DBP), E+Co, Women's World Banking, GVEP Technical Secretariat, and others) was formed to identify the key questions and themes that would be most appropriate to address during the workshop, identified key practitioners and case studies, and formulated a format for the workshop that would provide a best framework to reveal these themes to a select group of attendees.

This event was envisioned as an experts exchange, not a large community information sharing type of workshop, thus participation was kept to 50 attendees and looked to engage presenters and general participants fully and equally. Attention was paid to bringing together a fairly equal balance between energy sector representatives (project developers, NGOs, government representatives, bilateral/multilaterals) and microfinance organizations, U.S. and developing country attendees' ratios, gender and age/generational experience inclusion, and LAC/Africa/Asia regional representation. Two GVEP Technical Secretariat members and two GVEP Board members were also in attendance at the meeting. The sessions were organized into a two day workshop, which included presentations and breakout groups. On the first day, USAID/Philippines Deputy Mission Director Francis Donovan gave a well-received lunchtime presentation on USAID Mission activities relevant to the workshop's themes. The participants visited the Center for Agriculture and Rural Development (CARD), a microfinance organization outside Manila on the third day.

The workshop discussed the issue of microfinance to support demand-side energy needs in order to document different approaches that would be appropriate to finance energy services, with a particular emphasis on increasing consumers' purchasing power. The attendees sought to: determine to what extent microfinance is being done and used for the purchase of energy services and systems, and to identify the specific energy products and services that are being financed; learn from the experiences of practitioners and institutions outside the energy sector who are providing rural financial services to support demand for goods and services (e.g. agriculture, water, info and telecomm, small and medium enterprises, etc.); to examine the various institutional modalities for extending microfinance to determine which could be appropriate for energy services; to obtain inputs on the design and structuring of financing facilitation services under GVEP that can target the consumer and determine the appropriate role for GVEP in facilitating access to and delivery of microfinance; to assess possible obstacles (economic, fiscal, financial or banking policies) which constrain financial intermediaries in extending consumer loans for energy services; and to examine field experience with alternative capitalization guarantees and interest rate structures designed to fully recover an institution's operating costs. The findings of the workshop will be incorporated into the design of a microfinance component of financing facilitation services under GVEP.

About CEI and GVEP

The U.S.-led, multi-year, CEI initiative has three programs to achieve key goals: (1) Efficient Energy for Sustainable Development (EESD) will improve the productivity and efficiency of current operating systems, while reducing waste, saving money, improving reliability, and delaying the need for expensive new generating capacity. (USG lead: DOE); (2) Healthy Homes and Communities (HHC) will promote clean transportation fuels (e.g. unleaded gasoline, low sulfur fuels), and healthier indoor cooking and heating practices to reduce the estimated 3 million annual and readily preventable deaths associated with air pollution and unhealthy patterns of energy use. (USG lead: EPA); and (3) The Global Village Energy Partnership (GVEP) will increase access to modern and affordable energy services in areas either not served or under-served by current energy delivery systems. (USG lead: USAID)

Targets established for the 10-year GVEP Partnership, to be accomplished by the year 2012, include: over 30 countries with a National Action Plan for energy-poverty programs; over 300 million persons with access to modern energy services; and over 50,000 communities serviced with electricity. To-date, GVEP has initiated National Action Plans and energy-poverty program development in 18 countries. These include Latin America (Bolivia, Brazil, Dominican Republic, Guatemala, Honduras, Mexico); Africa (Burkina Faso, Cameroon, Ghana, Kenya, Mali, Senegal, South Africa, Tanzania, Uganda, Zambia); and Asia (India and Sri Lanka). GVEP has developed training programs in energy services delivery for entrepreneurs, microfinance organizations and financial institution officers. A risk mitigation facility is in development to leverage local financial capital markets and offer pre-investment support to developing country bankers to increase their investment in energy access projects.

GVEP is focusing on shifting host country government, USAID, World Bank and other donor funding from electrification to broader energy-poverty and modern energy service delivery issues in at least 10 countries. USAID's GVEP related activities in FY 2003 totalled \$20 million. These funds leveraged approximately \$92 million from other sources. Other bilateral institutions have provided direct contributions totalling approximately \$12 million to the GVEP.

To-date, more than 300 organizations (government, industry, and civil society) have committed to the GVEP's Statement of Principles, thereby becoming GVEP partners. The partner breakdown includes 43% from the private sector, 34% from civil society, 13% from bilateral and developing country government, 7 % consultants and 3% multilateral organizations. More information on GVEP, including a complete listing of partners, can be found at www.gvep.org.